


<p>1. The Role of Corporates in the Credit Union System.</p> <p><u>Payment system.</u></p> <p>Should payment system services be isolated from other services to separate the risks?</p> <p>Specific Charter to limit authority to ONLY Payment System? (Separate charter for investment authority?)</p> <p>Distinct capital requirements for Payment Systems only?</p> <p>Sufficient earnings potential?</p>	<p>Many years ago we used the “banking system” for payment services prior to using a CU service corporation/corporate CU structure and know what cost savings we realized from the conversion. We prefer our current relationship regarding payment system services. If it is separated I would suspect a higher charge on these services just as if we, as a NP CU had to separate various services and charge the member based on a stand-alone product.</p>
<p><u>Liquidity and liquidity management.</u></p> <p>Should liquidity be considered a core service of the corporate system?</p> <p>Should NCUA limit the ability of Corporates to offer other types of services to preserve the liquidity function?</p> <p>What cash flow duration limits would be appropriate for Corps?</p>	<p>Providing liquidity services was one of our primary reasons for participating in the corporate system along with other ancillary products and services. Restricting the service package would be detrimental to the corporate system.</p>
<p><u>Field of Membership Issues.</u></p> <p>Should NCUA return to defined FOMs (i.e. state or regional FOMs) to eliminate the “competition” and excessive risk taking caused by Corps having a national field of membership?</p>	<p>We identify competition as a positive since we have a community charter and compete on a daily basis with other community credit unions. However, if we choose to take excessive risks it is not necessarily because of other CU competition and we assume the responsibility for making those decisions. We prefer to have the option of choosing other corporate options. At one time we were with Empire Corporate which, at the time, was well outside our geographical area, especially if the Midwest area was under stress.</p>
<p><u>Expanded Investment Authority.</u></p> <p>Does the need for expanded investment authority still exist?</p> <p>Should NCUA modify the qualifications (such as higher capital standards) for this expanded authority?</p> <p>Should any Investment Authorities be reduced or increased?</p>	<p>We can support higher capital standards being imposed on riskier investments with the corporate reporting on their participation to NP CUs using that particular corporate CU. This then ties back to FOMs because if I thought the corporate was becoming too risky in making investments we should have the option of participating in another corporate CU since NP CUs have their dollars at risk also.</p>
<p><u>Structure; two-tiered system.</u></p> <p>Is there a continuing need for a wholesale Corp? (U.S.</p>	<p>This is difficult for a NP CU and defer to the retail corporate CUs but aren't some retail CCUs experiencing trauma similar to US Central FCU? Are some retail corporate CUs using other investment opportunities other than using the wholesale corporate CU?</p>

<p>Central)</p> <p>Does the current configuration result in the inappropriate transfer of risk from the retail Corps to the wholesale Corp?</p> <p>Should capital requirements, risk measurement criteria, and permissible investments be different for retail & wholesale Corps?</p>	
<p>2. Corporate Capital.</p>	
<p><u>Core capital.</u></p> <p>Core capital is defined as retained earnings plus Paid-in-Capital. Should NCUA establish a new capital ratio that Corps must meet?</p> <p>What is the appropriate method to measure core capital?</p> <p>Should Corps limit their services only to members maintaining contributed core capital with the Corp?</p>	<p>Originally we supported the rhetoric that you can have “too much capital” but in today’s economic environment with high charge-offs and high asset growth, we are more aware of the comfort adequate net worth brings to our NP credit union. New capital ratios should be expected by corporate CUs based on their risk exposure. Requiring core capital from NP CUs would tend to limit the number of corporate CUs a NP CU would participate with.</p>
<p><u>Membership capital.</u></p> <p>Should NCUA continue to allow membership capital in its current configuration?</p> <p>Should any withdrawal of membership capital be conditioned on the Corps ability to meet all applicable capital requirements following withdrawal?</p>	
<p><u>Risk-based capital and contributed capital requirements.</u></p> <p>Should NCUA consider risk-based capital for corporates consistent with that currently required of other federally regulated financial institutions?</p> <p>Should a natural person credit union be required to maintain a contributed capital account with its corporate as a prerequisite to obtaining services from the corporate?</p> <p>Should contributed capital be calculated as a function of share balances maintained with the corporate? What about using asset size?</p>	<p>We support risk based capital for corporate CUs and NP CUs should be required to maintain contributed capital with retail CCUs.</p> <p>We feel that contributed capital be calculated as a function of share balances rather than asset size.</p>
<p>3. Permissible Investments.</p>	

<p>Should NCUA should limit corporate credit union investment authorities to those allowed for natural person credit unions?</p> <p>Should NCUA prohibit certain categories of, or specific, investments, for example: collateralized debt obligations (CDOs), net interest margin securities (NIMs), and subprime and Alt-A asset-backed securities?</p>	<p>We use corporate CUs because they have personnel more highly skilled in evaluating investments but also support restricting specific investments such as CDOs, etc. that we consider are very poor investment opportunities.</p>
<p>4. Credit Risk Management.</p>	
<p>Should NCUA consider curbing the extent to which a corporate may rely on credit ratings provided by Nationally Recognized Statistical Rating Organizations (NRSROs)?</p> <p>Should NCUA require more than one rating for an investment, or require that the lowest rating meet the minimum rating requirements of Part 704?</p> <p>Should NCUA require additional stress modeling tools in the regulation to enhance credit risk management?</p> <p>Should Part 704 be revised to provide specific concentration limits, including sector and obligor limits? If so, what specific limits would be appropriate for corporate credit unions?</p> <p>Should corporates be required to obtain independent evaluations of credit risk in their investment portfolios. If so, what would be appropriate standards for these contractors?</p> <p>Should corporates be required to test sensitivities to credit spread widening, and if so, what standards should apply to that effort?</p>	<p>It is our impression that the NRSRO credit ratings are being questioned at this time. In addition, stress modeling has no one perfect model but we support a conservative approach or evaluation of credit risk.</p>
<p>5. Asset Liability Management.</p>	
<p>In a previous version of its corporate rule, NCUA required corporate credit unions to perform net interest income modeling and stress testing. Because one of the problems leading to the current market dislocation is a widening of credit spreads, the agency is considering re-instating this requirement. Alternatively, the agency may consider some form of mandatory modeling and testing of credit spread increases. Should Corps be required to use monitoring tools to identify these types of trends?</p>	

<p>6. Corporate Governance.</p> <p>NCUA is considering minimum standards for directors that would require a director possess an appropriate level of experience and independence. The agency is also considering term limits, allowing compensation for corporate directors, and requiring greater transparency for executive compensation.</p> <p>Is the current structure of retail and wholesale corporate credit union boards is appropriate given the corporate business model?</p> <p>Should NCUA establish more stringent minimum qualifications and training requirements for individuals serving as corporate credit union directors? If so, what should the minimum qualifications be?</p> <p>NCUA is also considering whether to establish a category of "outside director," i.e., persons who are not officers of that corporate, officers of member natural person credit unions, and/or individuals from entirely outside the credit union industry. Commenters should offer their view on whether that approach is wise, and, if so whether NCUA should require that corporates select some minimum number of outside directors for their boards. Should a wholesale corporate credit union be required to have some directors from natural person credit unions? Comment is sought on whether NCUA should impose term limits on corporate directors, and, if so, what the maximum term should be. Comment is also sought on whether corporate directors should be compensated, and, if so, whether such compensation should be limited to outside directors only.</p> <p>Should NCUA allow members of corporate credit unions greater access to salary and benefit information for senior management?</p>	<p>We support minimum standards for directors that recognize experience and overall qualifications. We do question the use of "outside directors" and how that contributes to the corporate CU structure. Term limits and transparency are double-edged swords and should be considerations determined by individual corporate CUs. We find it difficult to support compensation other than payment of expenses to any corporate CU director much less paying an "outside director" for his/her participation. A prominent recipient of stimulus money has an economist from a highly recognized university along with a former accountant from the SEC on its board but apparently has not contributed to the overall health of that corporation.</p>
<p>Any Other Comments?</p>	<p>Cedar Falls Community Credit Union 123 W. 4th Street Cedar Falls, IA 50613 319.266.7531</p> <p></p> <p>Larry Nuss, President/CEO</p>